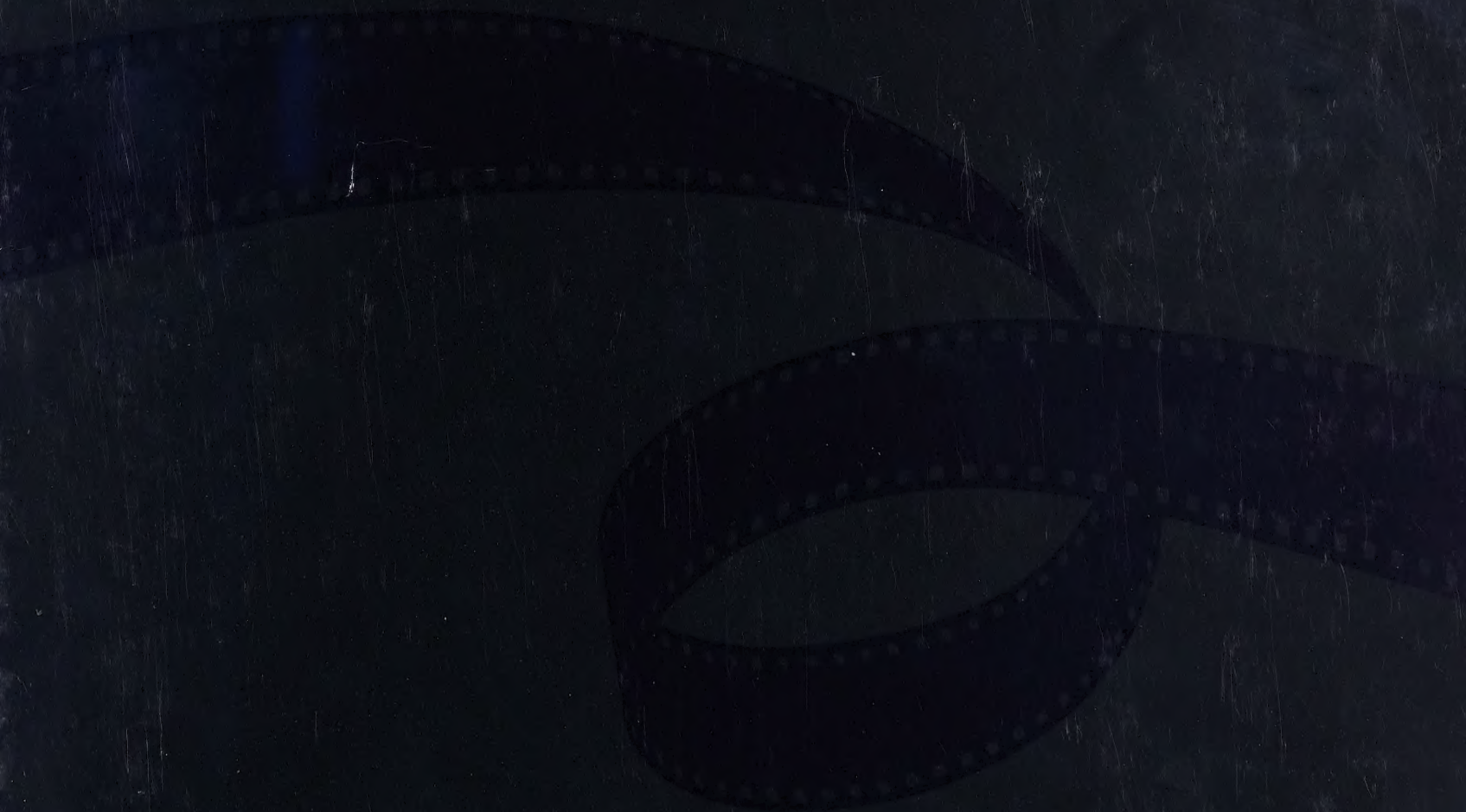


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**BLACK PHOTO
CORPORATION
LIMITED**

**ANNUAL
REPORT
1973**



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BLACK PHOTO CORPORATION LIMITED

Annual Report 1973



Directors and Officers

William E. Black
Chairman and President

Robert F. Black
*Director and Vice-
President*

William J. Huntley
*Director and
Secretary-Treasurer*

George W. Copeland, Q.C.
Director

Donald E. Boxer
Director

Robert J. McMullen
Director

Barry J. Black
Director

Financial Highlights

	1973	1972
Sales	\$11,020,480	\$9,462,124
Net Earnings	645,600	618,888
Working Capital	2,706,239	2,463,573
Total Assets	5,920,469	4,566,242
Shareholders' Equity	4,001,901	3,421,097
Earnings per Share	61¢	58¢
Shares Outstanding	1,066,400	1,064,800

Head Office

10 Dyas Road, Don Mills, Ontario.

Subsidiaries

Eddie Black's Limited, 10 Dyas Road, Don Mills, Ontario.

Educational Film Distributors Limited, 191 Eglinton Avenue East, Toronto, Ontario.

R & H Products Limited, 4930 Courval Street, Montreal, P.Q.

Auditors

Messrs. Coopers & Lybrand, 145 King Street West, Toronto, Ontario.

Solicitors

Messrs. Miller, Thomson, Sedgewick, Lewis & Healy, Toronto, Ontario.

Messrs. Bjarnason & Copeland, Toronto, Ontario.

Bankers

Canadian Imperial Bank of Commerce, Parkwoods Village Branch, Don Mills, Ontario.

Transfer Agent

Canada Permanent Trust Co., 1901 Yonge Street, Toronto, Ontario.

Stock Listing

B P K — The Toronto Stock Exchange.

Underwriter

Burns Bros. & Denton Limited, Toronto-Dominion Centre, Toronto, Ontario.



To Our Shareholders:

Your Corporation achieved record sales and earnings for the 1973 fiscal year. Combined sales volume increased to \$11,020,480 from \$9,462,124 and net earnings increased to \$645,600 from \$618,888. These results include operations of R & H Products Limited for the final quarter of our year. A historical financial review appears on page five.

Our balance sheet position remains very strong and reflects the consolidation of our latest acquisition. In December 1972 the first dividend to shareholders in the amount of 7¢ was paid.

Our retail chain of Black's Camera Stores was expanded by the addition of three new outlets. One is in downtown London, another on Yonge Street near Eglinton, Toronto, and the third in Commerce Court, Toronto. Two older stores were relocated in larger premises—one in downtown Hamilton and the other in downtown Toronto. Early in our 1974 fiscal year there will be two more store openings—Scar-

borough Town Centre, Toronto, and Bayshore Shopping Centre, Ottawa.

The introduction of more electronic products in several of our locations has added to our overall sales increase. We continue to stress the importance of well-informed courteous sales personnel in our stores and believe this to be one of the principal advantages we have over the self-serve type outlet.

Our efforts are directed to provide our customers with quality photo products at competitive prices through volume buying.

Photofinishing operations were very successful with increased volume both in our retail stores and our mail order division. One-day colour film service was continued in the Toronto area and a new thirty percent larger print was introduced to users of 126 cartridge films. Some additional equipment was added to enable us to continue to provide highest quality production in shortest possible time.

Our Audio-Visual and Educational Film divisions encountered considerable difficulty in matching sales volumes of a year ago. Results from educational film operations were significantly reduced. Results from audio-visual operations were satisfactory due to increased sales of video tape recording and closed circuit television equipment. A very satisfactory purchase of inventory from an electronics dealer in Ottawa was negotiated. As a result we now represent Panasonic on an exclusive basis for all of Ontario with respect to VTR and CCTV equipment. A service depot and showroom were opened in Ottawa late in our fiscal year and will serve the immediate and surrounding areas.

Late in the year, negotiations were completed for the acquisition of R & H Products Limited of Montreal. This company distributes photographic products nationally and provides broader interests in the photo industry to our holdings. Additional detail

on this company appears elsewhere in our annual report.

The management of our operating Companies is capable and experienced. The senior officers are as follows: Eddie Black's Limited—Robert F. Black, President; William J. Huntley, Vice-President; John F. Stephenson, Secretary-Treasurer; Educational Film Distributors Limited—Margery Weiss, President; Robert R. Jones, Secretary-Treasurer; R & H Products Limited—Eric Huebner, President; Ian Warnock, Secretary-Treasurer.

Each of the three subsidiaries will continue to function independently in their respective segments of the photographic industry.

The important contribution made by the personnel in each of our companies cannot be overstated. The achievements of the past year are directly related to their conscientious and determined efforts.

As shareholders of Black Photo you have expressed your confidence in the future of our Corporation. There is a constant awareness of this trust and it is appreciated. In particular, we extend our thanks to the many original shareholders who are still with us.

In summary, this past year was an excellent year for Black Photo and the future can be faced with confidence. We will continue to seek out new markets for the products we sell and to broaden our interests by expansion of the lines of merchandise or services provided. Our conservative approach to acquisitions will be continued and we will investigate any situation that has some relationship to our principal business.

William E. Black, *President*



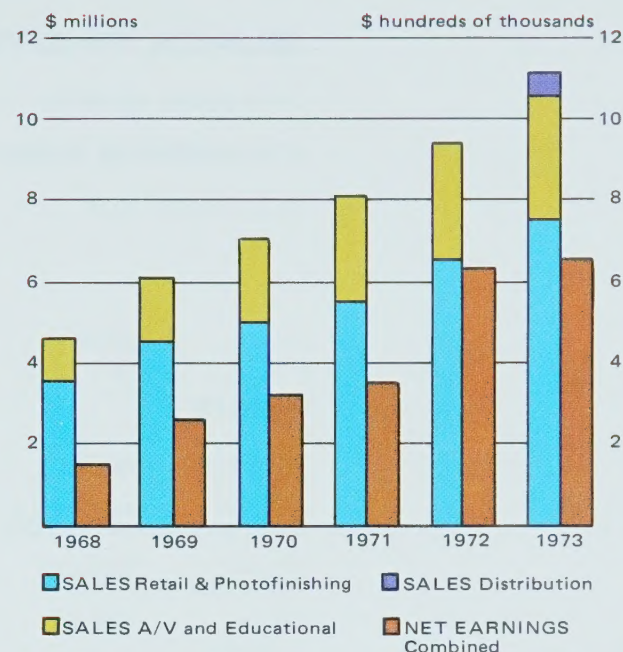
R & H Products Limited

The company was acquired as of December 31, 1972 for cash. It is the Canadian distributor of Fuji Photo Film Co., one of Japan's largest photographic manufacturers. Products distributed nationally include Fuji film, Fujica cameras, Topcon cameras, Metz electronic flash products, and a number of other brands of photographic supplies and accessories.

The head office and warehouse will remain in Montreal. Sales representatives cover all ten provinces and a branch distribution facility is located in Vancouver. The company is well established and enjoys favourable relations with its dealer organization across the country. It is very capably managed and employee morale is good. There were no changes as a result

of the new ownership. It is felt that the close association between members of the same corporate group cannot but be helpful to all.

Exhaustive tests of products carried resulted in the conclusion that all are superior or equal to any of the leading brands available in Canada. The illustrations on this page were produced from transparencies supplied by Fuji Photo Film Co. to exemplify the quality.



Historical Financial Review

	1973	1972	1971	1970	1969	1968
Net Sales	\$11,020,480	\$9,462,124	\$8,060,843	\$7,022,204	\$6,047,578	\$4,574,922
Operating Costs and Other Expenses	9,552,358	8,079,701	7,120,634	6,206,348	5,449,674	4,156,175
Depreciation and Amortization	178,145	151,748	149,919	120,659	89,308	93,566
Interest on Long-Term Debt	6,277	6,987	8,960	11,078	12,393	12,470
Earnings Before Income Taxes	1,283,700	1,223,688	781,330	684,119	496,203	312,711
Income Taxes	638,100	604,800	415,300	355,100	246,423	148,600
Dividends (*Preferred)	74,606	—	—	—	*54	*210
Net Earnings	645,600	618,888	366,030	329,019	249,780	164,111

BLACK PHOTO CORPORATION LIMITED

and subsidiary companies

Consolidated Balance Sheet

as at March 31, 1973

	1973 \$	1972 \$
ASSETS		
CURRENT ASSETS		
Cash and deposit receipts	505,405	1,276,745
Accounts receivable—		
Trade	1,028,168	468,406
Other	—	12,149
Inventories—at the lower of cost or net realizable value	2,860,621	1,553,221
Prepaid expenses	16,679	13,727
	<u>4,410,873</u>	<u>3,324,248</u>
FIXED ASSETS (note 3)	<u>1,113,571</u>	<u>902,248</u>
EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER NET BOOK VALUE AT DATE OF ACQUISITION	396,025	339,746
SIGNED ON BEHALF OF THE BOARD		
William E. Black, Director		
William J. Huntley, Director		
	<u><u>5,920,469</u></u>	<u><u>4,566,242</u></u>

	1973 \$	1972 \$
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,481,334	605,622
Income taxes payable	152,763	184,767
Current portion of long-term debt (note 4)	70,537	70,286
	<u>1,704,634</u>	<u>860,675</u>
LONG-TERM DEBT (note 4)	213,934	284,470
	<u>1,918,568</u>	<u>1,145,145</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized—		
2,300,000 shares without par value		
Issued—		
1,066,400 shares (1972—1,064,800 shares)	1,336,071	1,330,311
Unpaid subscription	28,350	32,400
	<u>1,307,721</u>	<u>1,297,911</u>
RETAINED EARNINGS	2,694,180	2,123,186
	<u>4,001,901</u>	<u>3,421,097</u>
	<u>5,920,469</u>	<u>4,566,242</u>

Consolidated Statement of Earnings and Retained Earnings

for the year ended March 31, 1973

	1973 \$	1972 \$
NET SALES	11,020,480	9,462,124
OPERATING COSTS AND OTHER EXPENSES	9,663,097	8,131,275
DEPRECIATION AND AMORTIZATION	178,145	151,748
	9,841,242	8,283,023
	1,179,238	1,179,101
INTEREST AND OTHER INCOME	104,462	44,587
	1,283,700	1,223,688
PROVISION FOR INCOME TAXES	638,100	604,800
NET EARNINGS FOR THE YEAR	645,600	618,888
RETAINED EARNINGS—BEGINNING OF YEAR	2,123,186	1,504,298
	2,768,786	2,123,186
Dividend paid	74,606	—
RETAINED EARNINGS—END OF YEAR	2,694,180	2,123,186
NET EARNINGS PER SHARE (note 6)	61 cents	58 cents

Consolidated Statement of Source and Use of Working Capital

for the year ended March 31, 1973

	1973 \$	1972 \$
SOURCE OF WORKING CAPITAL		
Net earnings for the year	645,600	618,888
Items not affecting working capital—		
Depreciation and amortization	178,145	151,748
Provided from operations	823,745	770,636
Payment of share subscription receivable (note 5)	4,050	4,050
Issue of share capital (note 5)	5,760	20,880
Working capital of subsidiary acquired	660,204	—
	<u>1,493,759</u>	<u>795,566</u>
USE OF WORKING CAPITAL		
Dividend paid	74,606	—
Additions to fixed assets (net)	349,664	89,926
Decrease in long-term debt (note 4)	70,537	75,199
Investment in subsidiaries	756,286	—
	<u>1,251,093</u>	<u>165,125</u>
INCREASE IN WORKING CAPITAL	242,666	630,441
WORKING CAPITAL—BEGINNING OF YEAR	2,463,573	1,833,132
WORKING CAPITAL—END OF YEAR	<u>2,706,239</u>	<u>2,463,573</u>

Notes to Consolidated Financial Statements

for the year ended March 31, 1973

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements for the years ended March 31, 1973 and 1972 include the accounts of Black Photo Corporation Limited and its wholly-owned subsidiaries, Eddie Black's Limited, Educational Film Distributors Limited and R & H Products Limited. The latter company was acquired as of December 31, 1972 and accordingly only its operating results subsequent to that date are included in earnings for the year.

2. PURCHASE OF SUBSIDIARY

The company purchased all the shares of R & H Products Limited as of December 31, 1972 for \$750,000 of which \$600,000 was paid on closing and the balance of \$150,000 is due June 30, 1973 in accordance with the provisions of the purchase agreement.

3. FIXED ASSETS

Fixed assets and related accumulated depreciation are classified as follows:

	1973		1972	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land	94,077	—	94,077	40,000
Buildings	523,520	101,848	421,672	339,007
Furniture, fixtures, machinery and equipment	1,317,228	834,949	482,279	424,296
Motor vehicles	102,255	48,238	54,017	39,696
Leasehold im- provements	197,663	136,137	61,526	59,249
	<u>2,234,743</u>	<u>1,121,172</u>	<u>1,113,571</u>	<u>902,248</u>

Depreciation has been recorded at the maximum rates allowable for income tax purposes, except for plant equipment, on which depreciation is recorded at 12½% of original cost per annum.

4. LONG-TERM DEBT

(a) Long-term debt is classified as follows:

	1973 \$	1972 \$
7½% mortgage loan, due March, 1987	83,471	86,756
Amount owing on purchase of a subsidiary (note 4(b))	<u>201,000</u>	<u>268,000</u>
	284,471	354,756
Less: Current portion	<u>70,537</u>	<u>70,286</u>
	<u>213,934</u>	<u>284,470</u>

(b) The balance owing on purchase of a subsidiary is payable without interest as follows:

- (i) The amount of \$33,500 on December 31, 1973.
- (ii) The balance of \$167,500 is subject to abatement if operating results are not maintained and is payable in instalments which are dependent on the operating results in the five years ending December 31, 1975.

5. CAPITAL STOCK

During the year 1,600 shares were issued for \$5,760 under the stock option plan of the company established in November, 1971. At March 31, 1973, options for the purchase of 14,000 shares at \$3.60 per share were outstanding under this plan and may be exercised at various dates to July 31, 1976.

The unpaid subscription of \$28,350 relates to shares issued under a former stock option plan and is payable in equal annual instalments of \$4,050 to August, 1979.

6. PRINCIPLES OF EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the year. The exercise of outstanding options to purchase shares would not have a material effect on net earnings per share.

7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers as defined by The Business Corporations Act, 1970 (Ontario) amounted to \$194,300 (1972—\$180,585).

8. LEASE COMMITMENTS

The total amount of rentals paid during the year ended March 31, 1973 under leases (including additional rent payable as a percentage of sales) was \$247,282.

The minimum total rentals under existing leases (excluding occupancy charges and additional rent paid as a percentage of sales) will be as follows:

	\$
1974-1978	800,269
1979-1983	405,028
after 1983	14,818

AUDITORS' REPORT TO THE SHAREHOLDERS

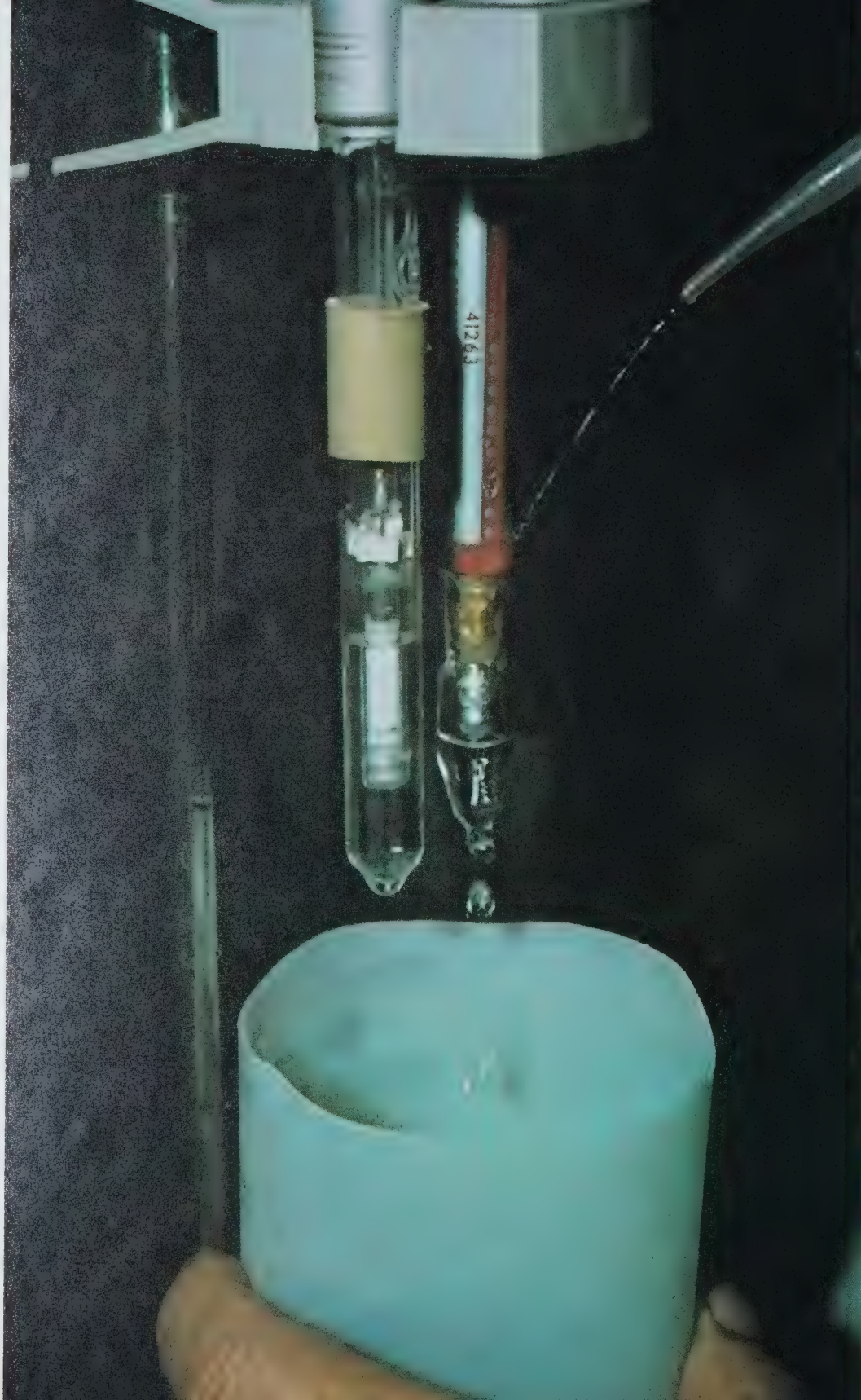
We have examined the consolidated balance sheet of Black Photo Corporation Limited and subsidiaries as at March 31, 1973 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
May 8, 1973

COOPERS & LYBRAND
Chartered Accountants

**A CAPSULE VIEW
OF OUR PHOTOFINISHING
OPERATIONS**

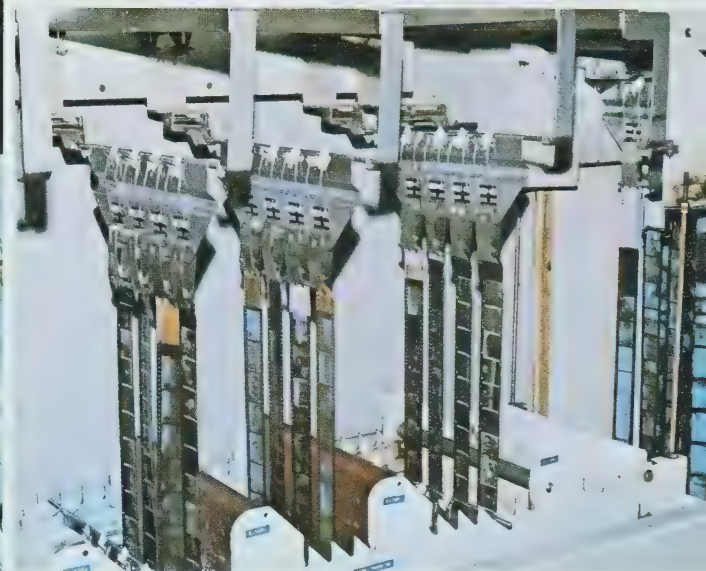
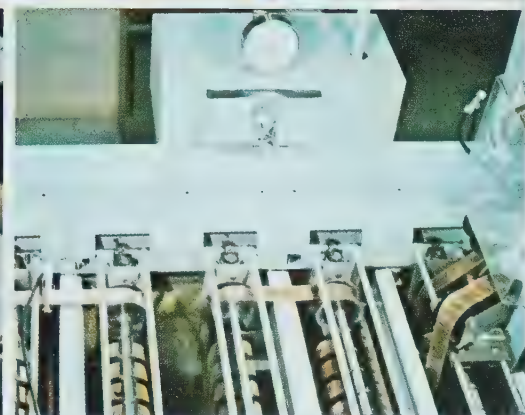


Chemical Testing

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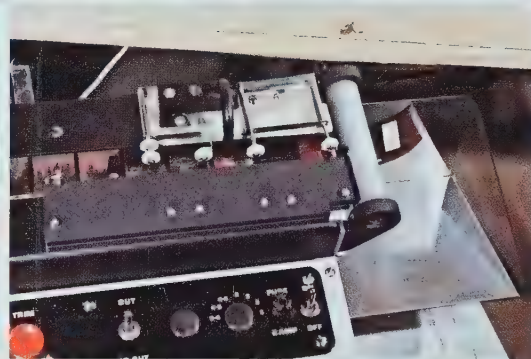
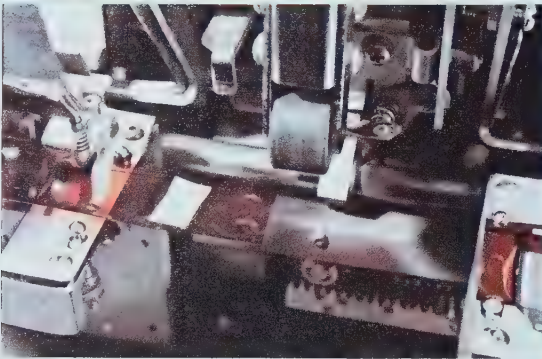
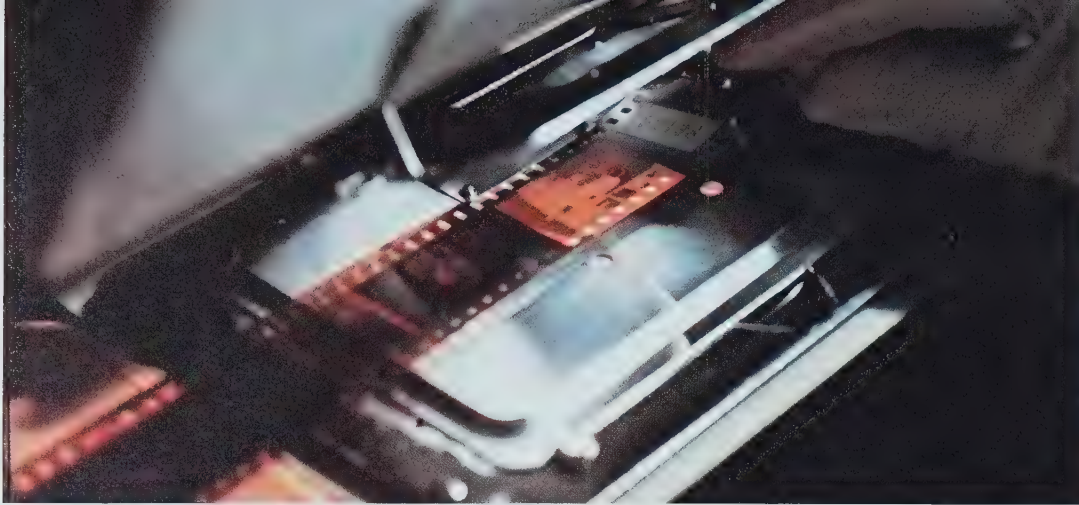


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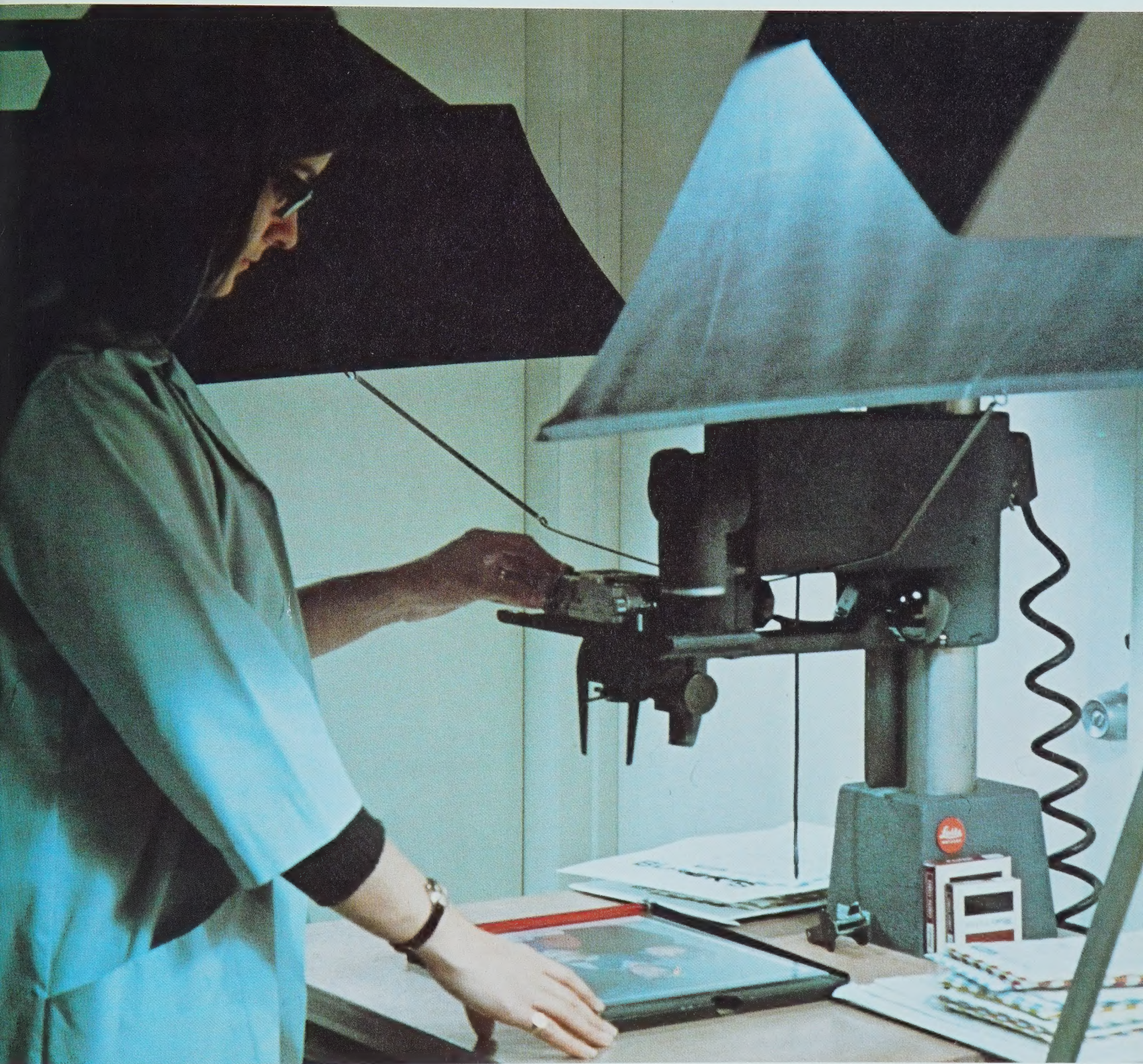
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- 1 Filter Adjustment for Colour Printer
- 2 Colour Negative Developing
- 3 Quality Control Test
- 4 Continuous Process Colour Film Developing
- 5 Colour Slide Developing



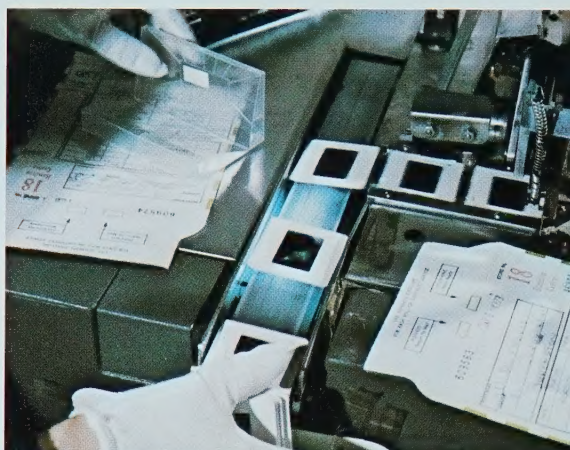
- 1 35mm Colour Negative Printing
- 2 Negative Film Splicing
- 3 Colour Negative Cutting
- 4 Colour Print Processing



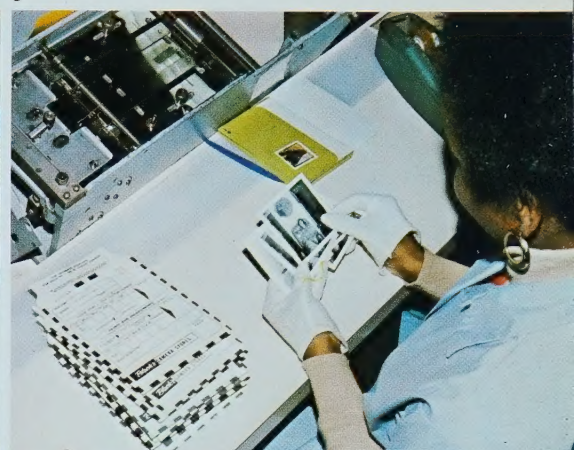
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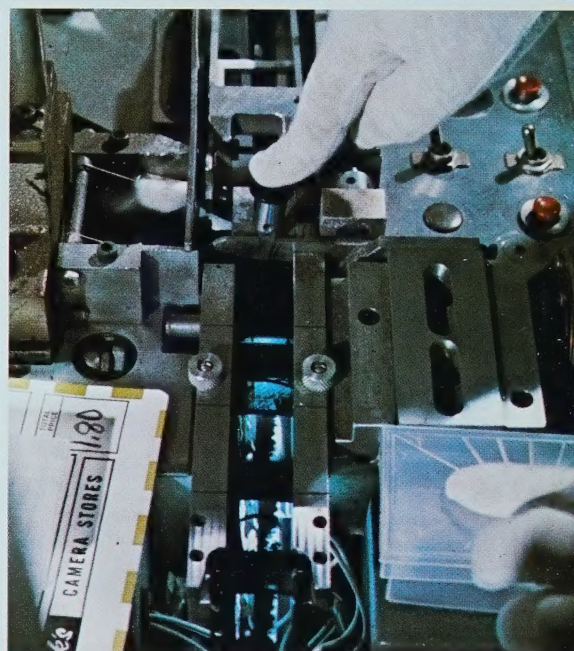
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3



4



5

- 1 Twin Checking Film for Identification
- 2 Slide Mounting, Inspection and Packing
- 3 Black and White Inspection and Sorting
- 4 Colour Print and Enlargement Processing
- 5 35 mm Colour Slide Mounting



